

Internal Revenue Service

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Washington, DC 20224

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Person To Contact:
, ID No.

Telephone Number:

In Re:

Refer Reply To:
CC:PA:02
PLR-126637-18

Date:
July 24, 2019

Legend

Entity =

Services =

Property =

Customer =

Dear :

This letter responds to the letter dated August 30, 2018, submitted on behalf of Entity, requesting rulings regarding Entity's obligation to report transactions under § 6045 of the Internal Revenue Code and Treasury Regulations § 1.6045-1 on Forms 1099-B, Proceeds From Broker and Barter Exchange Transactions, in three different scenarios. For the reasons set forth below, we conclude that Entity is not obligated to report in scenarios 1 and 2, and is obligated to report in scenario 3.

Facts

Entity is a dealer that provides Service for its Customers with respect to certain Property. Entity enters into a forward contract, under which Customer pays Entity for the right to acquire Property in the future. Entity sets aside and stores Property for future delivery to Customer. Three scenarios may occur with regard to these forward contracts:

1. At the contract's expiration, Customer takes delivery of the Property that Entity set aside for Customer;
2. Prior to the contract's expiration, pursuant to the contract, Entity substitutes the Property that was set aside for Customer with different Property that Entity sets aside for Customer. At the contract's expiration, Customer takes delivery of the second Property that Entity set aside for Customer;
3. At the contract's expiration, Customer receives United States Dollars equal to the value of the Property.

Entity requested rulings that under § 6045 and Treas. Reg. § 1.6045-1, it is not required to report the transactions in scenarios 1 and 2 on Forms 1099-B, and it is required to report the transactions in scenario 3. .

Law & Analysis

Under § 6045 and Treas. Reg. § 1.6045-1(c)(2), brokers are required to make a return of information for each sale by a customer of the broker if, in the ordinary course of a trade or business in which the broker stands ready to effect sales to be made by others, the broker effects the sale. This reporting is done on Forms 1099-B. Under Treas. Reg. § 1.6045-1(a)(9), for the purposes of reporting under section 6045, a sale is defined as a disposition, but only to the extent the disposition is conducted for cash.

In scenarios 1 and 2 above, at the time of the contract's expiration, there is no disposition by the customer for cash, and thus there is no sale within the meaning of § 6045 and Treas. Reg. § 1.6045-1(c)(2). Therefore, Entity is not required to report the transactions described in these two scenarios on Forms 1099-B. In scenario 3, at the time of the contract's expiration, there is a disposition of the forward contract for cash, which is considered a sale under Treas. Reg. § 1.6045-1(a)(9). Entity effects the customer's sale within the meaning of Treas. Reg. § 1.6045-1(a)(10). Therefore, Entity is required to report the sales that occur under scenario 3 on Forms 1099-B.

Conclusion

Based solely on the information provided and representations made, we conclude that Entity is not required to file Forms 1099-B to report customers' sales in scenarios 1 and 2, above, and is required to file Forms 1099-B to report customers' sales in scenario 3, above.

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representative.

The rulings contained in this letter are based upon information and representations submitted by Entity and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

Sincerely,

Adrienne Griffin
Branch Chief, Branch 2
(Procedure & Administration)

Enclosures: (1) Copy of letter for section 6110 purposes
(2) Notice of Intention to Disclose, Notice 437